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September 13, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

EX PARTE

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

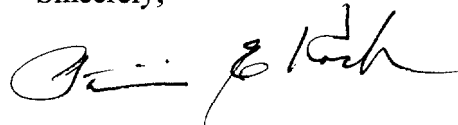
**Re: CS Docket No. 96-128, Implementation of the Pay Telephone
Reclassification and Compensation Provisions of the
Telecommunications Act of 1996**

Dear Mr. Caton:

Today, on behalf of Bell Atlantic, Marie Breslin, John Everett, Paul Francischetti and myself met with Dan Gonzalez, Legal Advisor and Kasia Biernocki of Commissioner Rachelle Chong's office to discuss Bell Atlantic's position in the above captioned docket. A copy of the handouts distributed during the meeting is attached.

Please include this correspondence as part of the public record in the above-captioned proceeding. Please call me if you have any questions concerning the meeting.

Sincerely,



Attachment

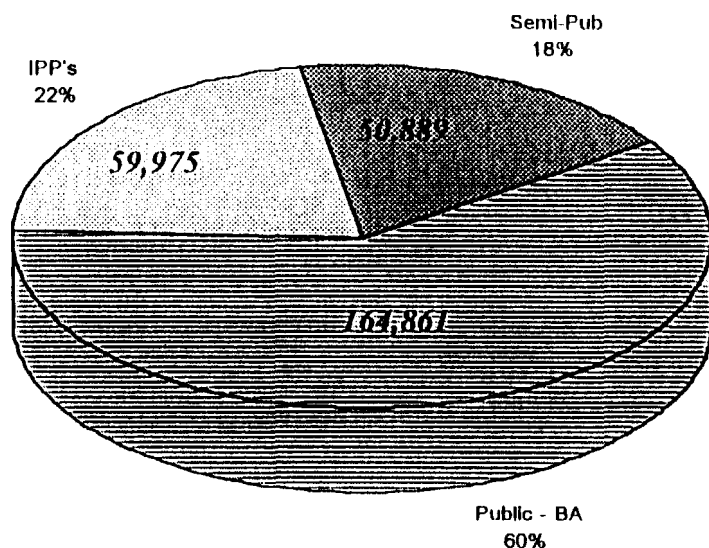
cc: D. Gonzalez
K. Biernocki

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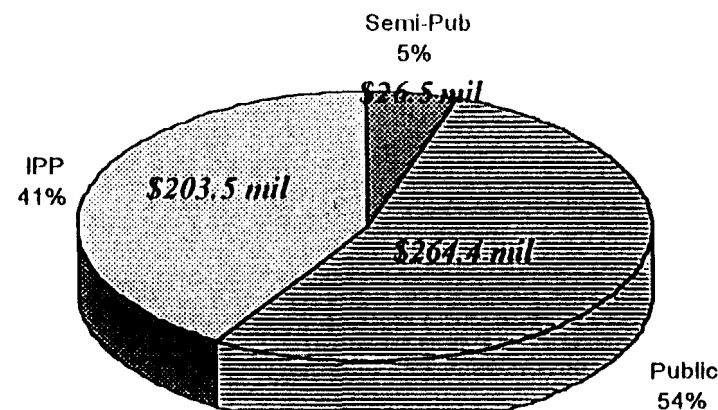
BELL ATLANTIC REGIONAL RECORDED MARKET SHARE

Distribution of Public Phones 1996



(Without Semi- Pub BA has 73% and the IPP's 27%)

BA's Region Payphone Market 1996
Market Share by Total Recorded Revenues



(Without Semi- Pub BA has 57% and the IPP's 43%)

Comments:

- IPP revenue data was based on the 10K's and 10Q's of Peoples, Communications Central and Phonetel; extrapolated for the total market
- Recorded Revenue is what the Respective Entities are Recording on their Financial Statements
- IPP's receive non-coin commissions from OSP/IXC for non-coin calls and BA does not
- IPP's receive payphone compensation and BA does not.

Per Call Compensation Rate (non local)

- Market pricing is the best approach.
- Assures better services, lower costs, greater deployment.
- Where market pricing is not possible, Commission should set market-based rate.
- The RBOC coalition identified a number of market-based rates, ranging from \$.46 to \$.90.

Per Call Compensation Rate (non local)

- The 0- Operator Transfer rate is an accepted proxy. IXC's are now paying this rate for the opportunity to have a customer complete a call on their networks.
- This rate translates into \$.46-\$.54 per completed call.
- This should be the lower limit since it is cost based rather than freely negotiated.

Local Coin

- Congress did not give the FCC jurisdiction over local coin rates under the guise of “per call compensation.”
- If the Commission believes that it does have this jurisdiction, it should adopt guidelines for the States to apply:
 - States should act within 90 days
 - Rates should cover direct costs and provide a reasonable contribution. Local coin rates should not be subsidized by any other revenue.
- An FCC appeal process should be available.
- After 2 years, local coin service should be deregulated.

Asset Transfer

- Valuation of payphone assets should be at Net Book Value and only on the physical assets reflected on RBOC books because:
- NBV has been the FCC's consistent, equitable approach:
 - Deregulation & detariffing of CPE
 - Deregulation of inmate payphone assets
- Alternatives to NBV and going concern approaches saddle the transferring entity with artificial costs.

Asset Transfer

- NBV is administrable and has the advantage of simplicity:
 - avoids the time & expense of determining fair market value
 - avoids the difficulty in valuing an industry in transition based upon assumptions:
 - changes in contracts
 - market readjustments
 - supply-side substitutes
 - the transaction will be an accounting transfer, not a cash transaction.